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FILE ONLY

CIA

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Once the arms-for-hostages deal with Iran was approved and in place, it ^A should have been run by the CIA and CIA Director William Casey should have insisted on control of the operation, the Tower Board said Thursday.

The three-member panel, in a report sharply critical of the role Casey and the CIA played in operation, did not, however, give its stamp of approval to the initiative even were it to be run by the CIA, finding it inconsistent with the administration's policy on terrorism.

Casey and the CIA were also criticized by the Tower Board for not pressing a more vigorous investigation into reports money from the deal was diverted to the Nicaraguan Contras and obscuring the line between policy advocacy and intelligence and.

Casey, 73, head of U.S. intelligence during the 1985-1986 period the Iran arms-Contra operation was under way, resigned last month while recovering in hospital from a brain cancer operation Dec. 18. He was not interviewed by the Tower panel.

"Director Casey appears to have been informed in considerable detail about the specifics of the Iranian operation," it said. "He appears to have acquiesced in and to have encouraged (National Security Council staff member Lt. Col. Oliver) North's exercise of direct operational control over the operation."

The report said Casey did not -- as he should have -- explain to President Reagan the risks involved in letting North run the operation or that he ever told the president that North rather than the CIA was in charge.

"Indeed, Director Casey should have gone further and pressed for operational responsibility to be transferred to the CIA," the report said, adding that the NSC should never have been entrusted with such an operation.

"Casey should have taken the lead in vetting (investigating) the assumptions presented by the Israelis" that the arms sales would improve relations with Iran, the report added, and criticized Casey for not urging an investigation of the reliability of Iranian arms dealer Manucher Ghorbanifar and other intermediaries in the transactions.

Casey was also rebuked for not promptly alerting the president to reports funds from the arms sales were being diverted to the Contras.

"Casey also must assume some responsibility for not investigating reports that money went to the Contras," it said. "Evidence suggests that he received information about the possible diversion of funds to the Contras almost a month before the story broke. He ... did not move promptly to raise the matter with the president. His responsibility to do so was clear."

The report also showed some CIA reluctance to agree to North's requests for help during one phase of the operation, including the supply of aircraft under CIA "proprietary" control to carry arms to Iran and securing secret permission from third countries for overflights of arms aircraft.

^A Then CIA Deputy Director John McMahon, who resigned early last year, insisted to North in December, 1985 that Reagan issue a "finding" -- official order -- to provide "transportation, communications and other necessary support" and also ratify "all prior actions taken by U.S. government officials in furtherance of this effort."

Casey sent the draft to Poindexter Nov. 26, 1985 with the comment it "should go to the president for his signature" but, the report said: "Despite some testimony to the contrary, the president appears not to have signed this finding."